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July 25, 2002

SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Update

TO: Approved GRH Lenders and Originators

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

GRH FUNDING

Thanks to your efforts, the utilization of GRH funds continues to be about 10% ahead of last year's pace in Wisconsin. Currently, Wisconsin has obligated over \$43.6 million with another \$4.6 million in reserved status. Ample funding for the GRH loan program will be available throughout the remainder of this fiscal year based on our National allocation of over \$3.1 billion. Lenders are encouraged to submit requests for pre-approvals for their applicants who have not yet entered into a purchase contract. Also, take advantage of the reduced guarantee fee for GRH refinancing as described below. If you need assistance in identifying your past GRH borrowers, contact our office so that we can help. The reduced guarantee fee provides a great marketing opportunity for lenders to contact their existing GRH customers and offer very affordable refinancing at the current low interest rates.

New!	REDUCED GUARANTEE FOR GRH REFINANCING	New!
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Attached is RD AN 3774 dated July 24, 2002 that describes the refinancing of existing GRH and Direct 502 loans with the GRH loan program. On page 4 of this AN, you will note that the guarantee fee has been reduced from 2% to 0.5% from now until September 30, 2002. It is unknown if the reduced fee will be available during our next fiscal year, so it is imperative that lenders take advantage of this opportunity while it exists. The 0.5% guarantee fee can be financed in all cases up to a maximum LTV of 100.5%. No appraisal is needed if the refinanced amount is the existing GRH loan principal balance and guarantee fee (with the borrower paying for their loan closing costs). A new appraisal will be required for Direct 502 loan refinancing or if a GRH borrower wishes to finance their closing costs into their existing GRH loan balance. Complete underwritten files must be received by Rural Development on or before September 30th so that they can be obligated by the COB that day to take advantage of the reduced guarantee fee.

We are in the process of finalizing changes to our new GRH Loan Origination and Servicing Handbook, which will be distributed to all Wisconsin GRH lenders in mid August. The new handbook is in a cd format and requires the use of Adobe Acrobat Reader to view its contents. The cd contains the latest version of Adobe Acrobat Reader in case you need to update or install this program. The cd will replace the paper handbooks that we have used over the past 10 years and will greatly improve your access to GRH program information. In the future we expect to have this handbook available on our website so that updates will be done electronically and that all lenders will have access to the most current GRH program information.

We are asking all of our lenders to contact us with the number of cds that they will need so that we can copy a sufficient number for distribution to all originators, loan processors, underwriters, and loan servicing staff. Please call Julie Kiefer at (715) 345-7620, ext. 119 with the number of GRH Handbook cds you need copied for your organization. If there are any automation concerns regarding pc compatibility, virus issues, or installation issues, lenders are encouraged to contact our Information Technology (IT) Help Desk at (715) 345-7620, ext. 106.

If you have any questions regarding this memo, call (715) 345-7620 for Paul Bartlett at Ext. 114 or Sue Kohnen at Ext. 115.

/s/ Rand Bersch for
PETER G. KOHNEN
Rural Housing Program Director

PGK: pjb